

Message Text

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SUBJ: ECONOMIC PROSPECTS FOR 1974: BIJEDIC/SMOLE/MARINC

ADDRESSES

1. BEGIN SUMMARY: SPEECHES BY BIJEDIC, SMOLE AND MARINC HIGHLIGHT TWIN PROBLEMS OF INFLATION AND INEFFICIENT USE OF RESOURCES AT HOME AND POSSIBILITY OF ECONOMIC SLOWDOWN IN MAJOR WESTERN EUROPEAN MARKETS. IN ADDITION TO HALTING INFLATION IN 1974, PRIORITY GIVEN TO STEPPING UP PRODUCTION, AND IMPROVING LABOR PRODUCTIVITY, MANAGERIAL EXPERTISE AND PROFITABILITY. SMOLE BUDGET RATED NON-INFLATIONARY AND FOR FIRST TIME INTRODUCES BOND MECHANISM AS MEANS OF RAISING FUNDS FOR GENERAL BUDGET
END SUMMARY.

2. PREMIER BIJEDIC, FINANCE SECRETARY SMOLE AND SLOVENIAN EXECUTIVE COMMITTEE PRESIDENT MARINC ADDRESSED SEPARATE AUDIENCES DECEMBER 26 ON YUGOSLAV ECONOMIC PROSPECTS FOR 1974.

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3. BIJEDIC SPEECH TO FEDERAL ASSEMBLY LABLES 1974 AS "MAJOR" POLITICAL AND ECONOMIC YEAR FOR YUGOSLAVIA. HE SAID 1973 SAW IMPROVED DOMESTIC LIQUIDITY, POSITIVE BALANCE OF PAYMENTS, INCREASED HARD CURRENCY RESERVES, BETTER DOMESTIC SUPPLY DEMAND RELATIONSHIP, AND GNERALLY IMPROVED FINANCIAL POSITION OF ECONOMY. "GROWING"IN INFLATION, HOWEVER, CASTS SHADOW ON THESE GAIN AND WILL BE ONE OF 1974'S BIGGEST AND MOST COMPLEX PROBLEMS.

4. BIJEDIC NOTES THAT WORLD ECONOMIC TRENDS HAVE ALTERED RADICALLY IN 1973. CONTRADICTION BETWEEN DEVELOPED AND LDCS HAVE BEEN AGGRAVATED AT LDC EXPENSE. CURRENT OIL CRISIS IS ONLY ONE MANIFESTATION OF WIDER ACTION FOR RADICAL CHANGE IN EXISTING WORLD ECONOMIC RELATIONS "FORMED DURING COLONIAL PERIOD." DETER- IORATION IN TERMS OF LDC TRADE INCLUDING CHEAP ENERGY AND OTHER RAW MATERIALS TRADED FOR EXPENSIVE EQUIPMENT AND UNFAVORABLE CREDITS FROM INDUSTRIAL COUNTRIES HAVE HINDERED LDC GROWTH. "PROFOUND" CHANGES IN ECONOMIC RELATIONS ALREADY AFFECT YUGOSLAVIA AND TO "MUCH LARGER UNFAVORABLE EXTENT THAN NECESSARY." GROWTH IN YUGOSLAV TRADE, FINANCIAL AND ECONOMIC RELATIONS WITH LDCS IN 1973 HOWEVER, OFFER "SOUND FOUNDATION FOR FURTHER, MORE COMPREHENSIVE LINKAGE OF OUR ECONOMIES."

5. GIVEN EXTENSIVE ECONOMIC TIES BETWEEN YUGOSLAVIA AND WESTERN EUROPE, BIJEDIC CONTINUED, THREATENED COOLING OFF OF WESTERN EUROPEAN ECONOMIES IN 1974 COULE "SIGNIFICANTLY AFFECT OUR ECONOMY." EXPORT FALLOFF COULD MEAN REDUCED PRODUCTION AND EMPLOYMENT IN YUGOSLAVIA.

6. TO PROTECT ITSELF AGAINST THESE EXTERNAL TRENDS, YUGOSLAVIA MUST STOP INFLATION, ACCELERATE PRODUCTION, IMPROVE LABOR PRODUCTIVITY, RATIONALIZE OUTMODED STRUCTURES, AND RAISE LEVELS OF MANAGEMENT EXPERTISE AND PROFITABILITY. "PRIORITY" GOAL, ACCORDING TO BIJEDIC, IT TO END ESCALATING PRICES AND COST OF LIVING AND ESTABLISH CONDITION THAT WILL LEAD TO GRADUAL DECREASE OF INFLATION RATES. CREDIT-MONETARY POLICY, MONEY SUPPLY, IMPORTS/EXPORTS, GOVERNMENT SPENDING POLICY, TAXES AND PRICE POLICY MUST ALL BE SUBORDINATED TO THESE GOALS.

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7. FINANCE SECRETARY SMOLE PRESENTED 1974 BUDGET TO FEDERAL ASSEMBLY DECEMBER 27. BUDGET, ON PRELIMINARY ANALYSIS, RATED AS NON-INFLATIONARY WITH PLANNED INCREASE IN OUTLAY LESS THAN PRO- JECTED RISE IN GNP. MOST INTERESTING FEATURE OF BUDGET IS USE OF 2.1 BILLION ND SHORT-TERM BOND ISSUE FOR GENERAL BUDGETARY EXPENSES. BOND ISSUES USED BEFORE FOR EXTRAORDINARY PURPOSES, E.G. YUGOSLAV NATIONAL ARMY, SKOPJE RECONSTRUCTION AND NATIONAL DEVELOPMENT LOAN; BUT THIS IS FIRST USE OF BOND MECHANISM FOR GENERAL

PURPOSES.

8. MARINC SPEECH TO SLOVENE REPUBLIC ASSEMBLY LARGELY PARRALLELED BIJEDIC EXPOSE. HE CALLS FOR FURTHER TAX REFORM, ENVISAGES A MORE DYNAMIC RATE OF GROWTH, AND REQUESTS SLOVENIAN FIRMS TO TAKE GREATER ADVANTAGE OF OPPORTUNITIES FOR COOHRATION WITH LDCS AND SOCIALIST COUNTRIES, WHILE PLACING RELATIONS WITH WESTERN DEVELOPED COUNTRIES ON MORE PERMANENT BASIS, AS MEANS OF NEUTRALIZING ADVERSE ECONOMIC TRENDS PREVAILING IN WESTERN WORLD. MORE EFFICIENT AND RATIONAL USE OF EXISTING LABOR, RAW MATERIAL AND INDUSTRIAL RESOURRQS WHOULD BE MAJOR PART OF YUGOSLAV RESPONSE TO UNFAVORABLE CONDITION ABROAD.

9. COMMENT: BASIC POLICY ORIENTATION FOR 1974 SEES, ON FIRST READING, TO BE INTENSIFICATION OF PREVIOUS CALLS FOR BETTER USE OF EXISITNG RESOURCES INCLUDING SELECTIVE INVESTMENT TO BREAK SUPPLY BOTTLAZECKS IN AGRICULTURE AND INDUSTRY THUS HELPING TO COUNTER INFLATIONARY PRESSURES AND HOLD EMPLOYMENT AT REASONABLE LEVEL.

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